



# PRESS RELEASE

Federal Deposit Insurance Corporation

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## **FDIC Proposes Rule to Enhance the Process for Determining Insurance in the Event of a Large Bank Failure**

The Federal Deposit Insurance Corporation (FDIC) today issued a proposed rule to improve the process for determining uninsured depositors at larger institutions in the event of a failure. The measure will enhance the FDIC's ability to make funds promptly available to insured deposit customers in the unlikely event that a large financial institution is closed.

The proposal is broken into two parts. One section relates to so-called covered institutions, those that have at least \$2 billion in domestic deposits, have more than 250,000 deposit accounts, or have total assets of more than \$20 billion, regardless of the number of deposits or accounts. Currently, there are 159 FDIC-insured institutions that meet these criteria.

A covered institution would be required to adopt mechanisms that, in the event of a failure, would place provisional holds on large deposit accounts in a percentage specified by the FDIC; provide the FDIC with deposit account data in a standard format; and allow automatic removal of provisional holds once the FDIC makes an insurance determination.

The second section applies to all FDIC-insured institutions, regardless of size, and governs the specific time and circumstance under which account balances will be determined in the event of a failure. The FDIC is proposing to use the end-of-day ledger balance as normally calculated by the institution.

By using the end-of-day ledger, the FDIC will be able to apply a single standard across all failed banks in order to treat every transaction equally. This is also the same deposit balance used for Call Report and assessment purposes. There would be no requirements placed on open institutions as a result of this provision.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at [www.fdic.gov](http://www.fdic.gov), by subscription electronically (go to [www.fdic.gov/about/subscriptions/index.html](http://www.fdic.gov/about/subscriptions/index.html)) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-106-2007

The FDIC places a high priority on providing access to insured deposits promptly and, in the past, has usually been able to allow most depositors access to their deposits on the next business day. If adopted, the proposed rule would better enable the FDIC to continue this practice, especially for the larger, more complex institutions it insures.

For the past two years the FDIC has been working on a system that would allow for a quicker and more accurate determination of insurance in the event that a large bank was closed due to financial difficulty. In December 2005, the agency issued an Advance Notice of Proposed Rulemaking, and then followed up in December 2006 with a proposed rule.

The FDIC last updated its deposit insurance determination process in 1999. The largest number of deposit accounts in a failed institution for which the FDIC had to make an insurance determination was about 175,000 for NetBank, FSB, Alpharetta, Georgia, on September 28, 2007. Today, some of the larger banks have more than 50 million deposit accounts.

Comments will be accepted for 90 days after the proposal is publication in the **Federal Register**. The proposed rule is available on the FDIC's Web site at <http://www.fdic.gov/news/board/notice19DEC2007.html>.